

**Testimony of  
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**Presented to the  
California Performance Review  
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**Background**

The California Forestry Association (CFA) is the statewide trade association that represents California's forest industry, including 90% of the primary manufacturers of forest products produced in this state, over 4 million acres of private industrial forest land, and producers of nearly 2% of the states electricity needs through renewable biomass energy. California's forest products industry generates more than \$15 billion in annual sales from production and processing, with total employment exceeding 220,000 workers.

Our members are committed to the sustainable management of California's forests and the conservation of our forest resources. Recent university studies clearly demonstrate that California is among the world's leaders in the protection of the environment and conservation of our privately owned forest resources. California's forest landowners are growing 170% more wood than we are harvesting, we're planting on average seven trees for each one harvested, and 97% of our state's old-growth stands are already preserved in public ownership. Moreover, monitoring studies by state and federal agencies show that current rules are enhancing water quality and wildlife habitat.

But as we highlight the environmental leadership demonstrated in California, the economic viability of our industry and the forest-dependent communities in which we operate are being threatened by the cumulative impact of process gridlock, regulatory costs that are nearly seven times higher than our immediate neighbors to the north, and less-regulated imports that are lower cost.

Ironically, the effect of what appears to be an endless layering of regulatory process, and its related economic impacts, have put California's forest industry at a huge competitive disadvantage in the global marketplace. Over the past five years alone we have lost 26% of our state's wood products mills and factories, while imported wood from places with far less protective environmental standards have increased to nearly 80% of our state's wood demand.

The average cost to landowners of preparing a Timber Harvesting Plan (THP) has increased a staggering 300% just since 1995. Concurrently, the cost of the State's forest regulatory program has increased 97% between 1997 and 2001, while the regulatory workload, as reflected in THP approvals, has dropped by 30% over the same period. Our projections indicate, and if conditions continue unmodified, it is not inconceivable that California's primary forest products industry could cease to exist within the decade (see attachments).

The expanding forest health crisis at Lake Arrowhead, and subsequent catastrophic wildfire last fall, is just one example of what can happen when the infrastructure that could have pro-actively solved that problem no longer exists. The environmental paradox from a global perspective was

well documented by Pulitzer-prize winning environmental reporter Tom Knudson in his recent Sacramento Bee expose "*California: State of Denial.*"

It is in this regard that we ask for the CPR Commission's help and leadership in setting a new vision for forest policy in this State. We offer our support as a strategic partner, to pursue forest policies that:

- Focus on outcomes instead of process.
- Are based upon sound forest science.
- Further the underlying objective of enhancing productivity and protection through incentives.
- Are environmentally sound, but also achieve economic feasibility in the context of a global environment and marketplace.
- Cut through bureaucratic gridlock and cost caused by overlapping regulatory jurisdictions and one-size-fits-all approaches.

We believe it is possible to protect public trust resources, manage our forests in a responsible and sustainable manner, and be competitive in a global environment. But it will require a new look at the process being used, with a renewed commitment to cooperative approaches that emphasize partnerships.

In the limited time I have to testify before you I would like to focus on three key points that are critical to the survival of our industry in California and are captured, at least in part, in Chapter 5, Resource Conservation and Protection, of the CPR Report submitted to Governor Schwarzenegger.

These points are summarized, in part, in Resolution 21, "Improve the Timber Harvest Plan (THP) Development and Review Process":

1. **Re-establish the THP review as a viable functional equivalent process under the California Environmental Quality Act (CEQA).**
2. **Adopt performance standards for forestry regulations (California Forest Practice Rules) as an alternative to the current one-size-fits-all prescriptive approach.**
3. **Identify and promote incentives to encourage and reward landowners for their stewardship efforts to protect public trust resources.**

**Re-establish the THP review as a viable functional equivalent process under the California Environmental Quality Act (CEQA).**

Initially, the THP process was envisioned as a "one-stop" permitting process for timber harvesting activities on private forestlands. Consistent with CEQA, CDF was the "lead" (decision making/permitting) agency and the other state agencies were "review" agencies. Both aspects of the THP process have eroded – We now have a duplicative permitting process involving three or

more review processes and three or more permits from the various state agencies for the same forestry operation.

#### **Recommendations**

- Through either Executive direction or legislation, recognize the THP review and approval process as the singular permitting process for forestry operations. Other permitting requirements should be incorporated into the THP upon approval.
- Re-affirm CDF as the lead agency with sole responsibility for THP approval. Re-establish the other state agencies' roles as advisory.
- Re-affirm the existing appeal processes (Letter of Nonconformance, Head of Agency Appeal) as the appropriate venues to resolve disputes amongst agencies.
- Given the extensive analysis in today's THP, encourage landowners to expand the area encompassed in the THP through incentives – discussed below.

#### **Adopt performance standards for forestry regulations (California Forest Practice Rules) as an alternative to the current one-size-fits-all prescriptive approach.**

Many of the current forestry regulations (California Forest Practice Rule) are the result of political pressure and expediency. Little effort is expended to determine whether the proposed rules are necessary or more importantly will achieve the desired environmental results. No on-the-ground verification is conducted prior to Board of Forestry (BOF) adoption. Rules adopted by the BOF are applied uniformly across the entire forested landscape with no consideration given to landscape variability.

#### **Recommendations**

- Direct the Board of Forestry to develop a performance- based approach to regulating forestry operations that:
  - Clearly articulates environmental objectives to be achieved, recognizing the variability across the landscape;
  - Relies on Registered Professional Foresters to design operations and mitigations for the forestry activities to achieve those objectives, taking into account landscape variability;
  - Utilizes the expertise of the state agencies in an advisory capacity during the development of the project as opposed to a review capacity once a final project is submitted for review; and
  - Recognizes the role of CDF (and when appropriate other agencies expertise) to work with project submitter to monitor implementation and effectiveness and when necessary, modify the plan to achieve environmental objectives.
- Provides adequate funding and if necessary, legislation to rewrite the Forest Practice Rules to replace the current prescriptive approach with a performance-based/Best Management Practices approach.

- Utilizes the State Demonstration Forests as the “proving ground” for proposed rulemaking prior to BOF adoption.
- Directs and funds the BOF Monitoring Study Group to develop and implement a statistically valid monitoring program to evaluate effectiveness of operations.

**Identify and promote incentives to encourage and reward landowners for their stewardship efforts to protect public trust resources.**

In the past decade, private forest landowners have, on their own volition, undertaken numerous efforts to enhance land stewardship and establish accountability for their forestry operations. Examples include restoration work beyond what is required in regulation to upgrade their operations, habitat enhancement, scientific research, monitoring, and voluntary, independent sustainable forestry certification. These voluntary efforts come at a price to the landowner with little or no recognition in the state regulatory process. We believe these efforts can be incorporated into a performance-based approach, as discussed above, that is more proactive and responsive to actual non-the-ground conditions in a manner that is more cost-effective to both the landowner and the state.

**Recommendations**

- Encourage landowners to develop management plans that encompass larger tracts of land (e.g. watersheds) through incentives such as:
  - A programmatic, one-time environmental analysis of the tract, which has an extended shelf life. Once reviewed by the public and appropriate state agencies and approved by CDF, it will satisfy all future environmental analysis for the tract, absent significant environmental changes within the tract.
  - Management projects proposed within the tract that are consistent with the programmatic analysis may proceed with a simple “Notice of Intent to Commence Operations” submitted by the landowners’ Registered Professional Forester. No additional analysis will be required.
  - Any requirements to modify the environmental analysis should be based on a statistically valid monitoring program within the tract.
- Give recognition to those landowners that undertake independent, third party verification (audits) that they are practicing sustainable forestry. Recognition could be in the form of automatic approval of THPs that are drafted pursuant to and in conformance with independently developed, environmental forestry standards (e.g. Forest Stewardship Council, Sustainable Forestry Initiative or the American Tree Farm program).
- Provide compensation (e.g. regulatory relief, tax relief, actual compensation) to landowners who set aside part of private ownership to enhance public trust resources (e.g. contribute to recovery of a listed species in addition to the statutory obligation to avoid take of a listed

**species; improve landowner infrastructures beyond what is required in regulation).**

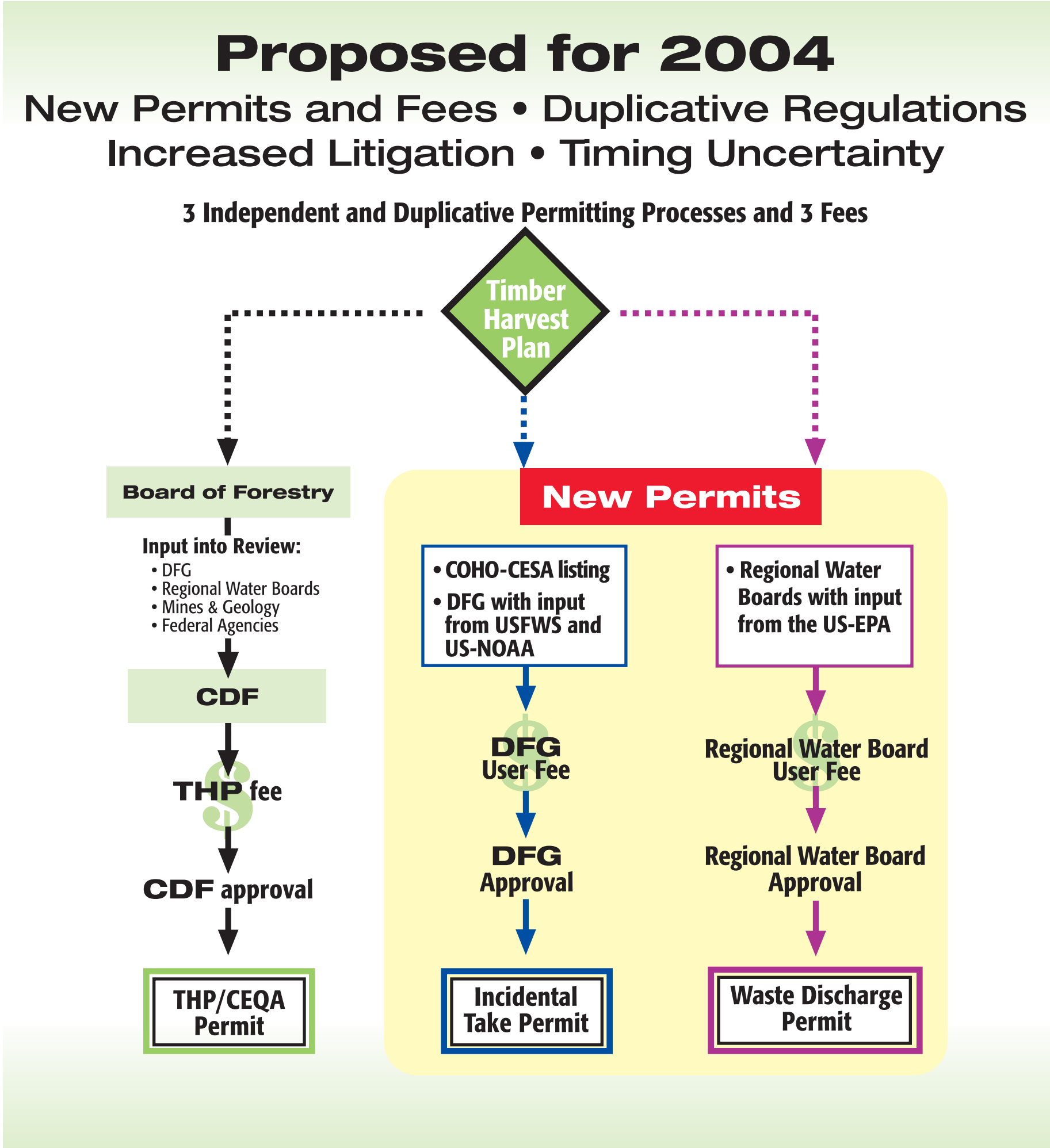
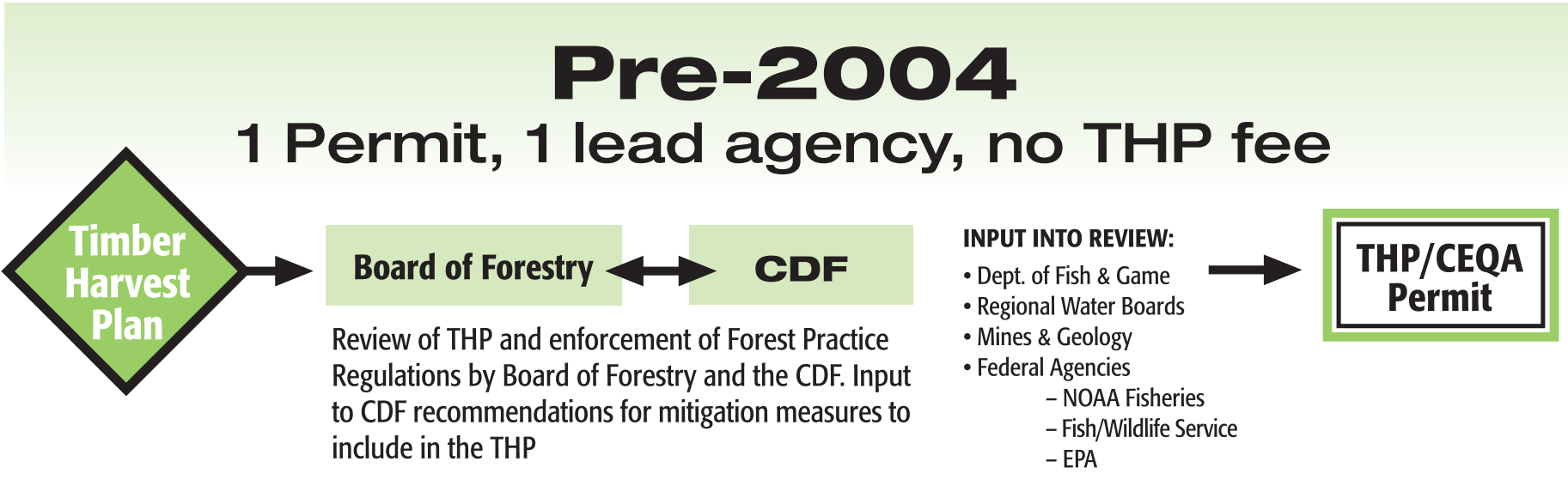
I recognize that many of our recommendations are extremely technical in nature and 5 minutes is nowhere near adequate time to sufficiently discuss them. I welcome the opportunity for my staff or members to sit down with individual CPR Commissioners or your staff to discuss these recommendations in further detail.

Let me conclude by reiterating that if this Administration wants a viable California wood products industry as part of the State's economic foundation in the 21<sup>st</sup> Century, we urgently need bold changes to current bureaucratic procedures that are currently nothing short of regulatory paralysis. CFA believes that we can truly have **both** a viable industry and the environmental quality the people of California have come to expect – But not if we continue with the status quo.

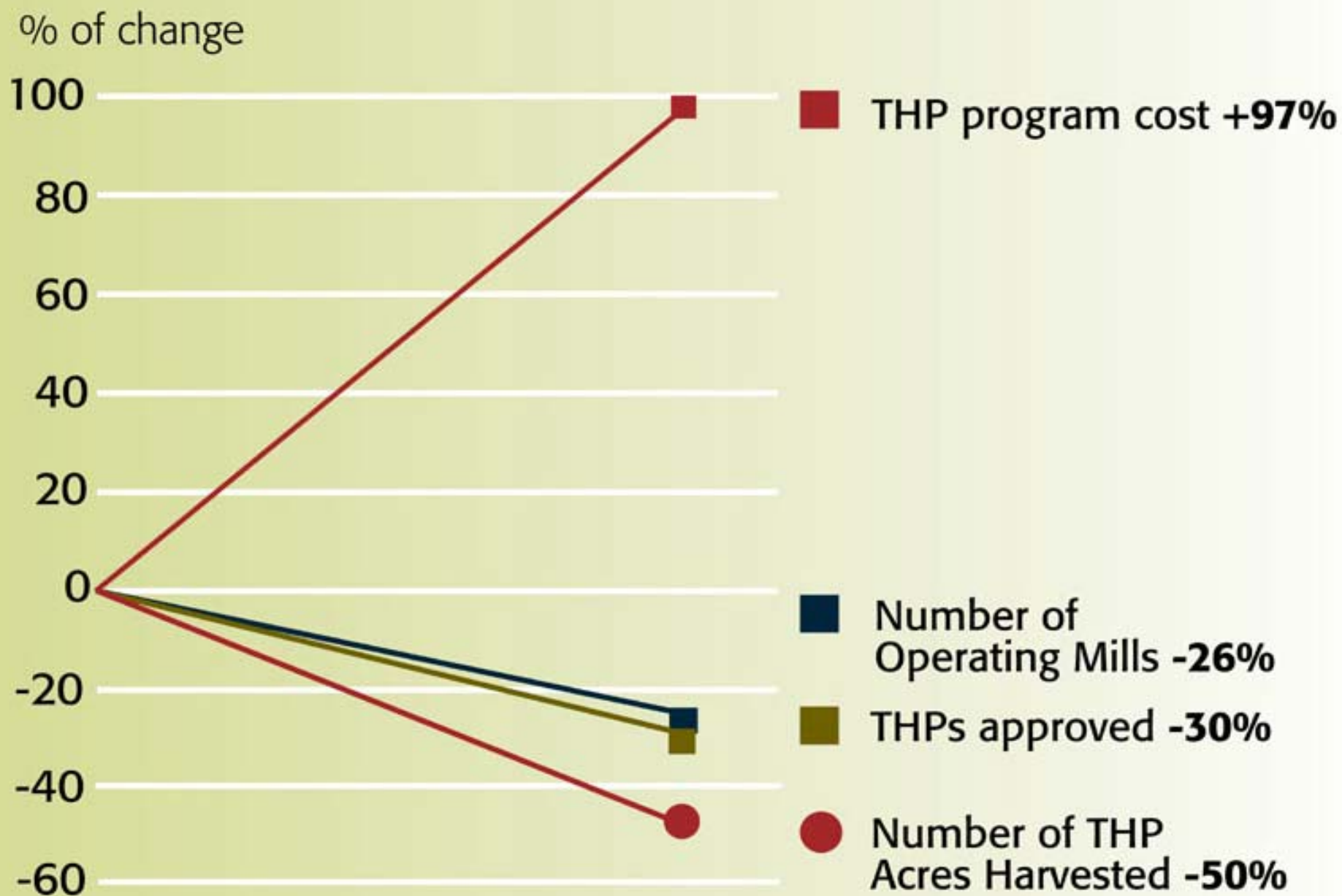
Thank you for the opportunity to discuss these important issues with you today.

# The Timber Harvest Permit Process

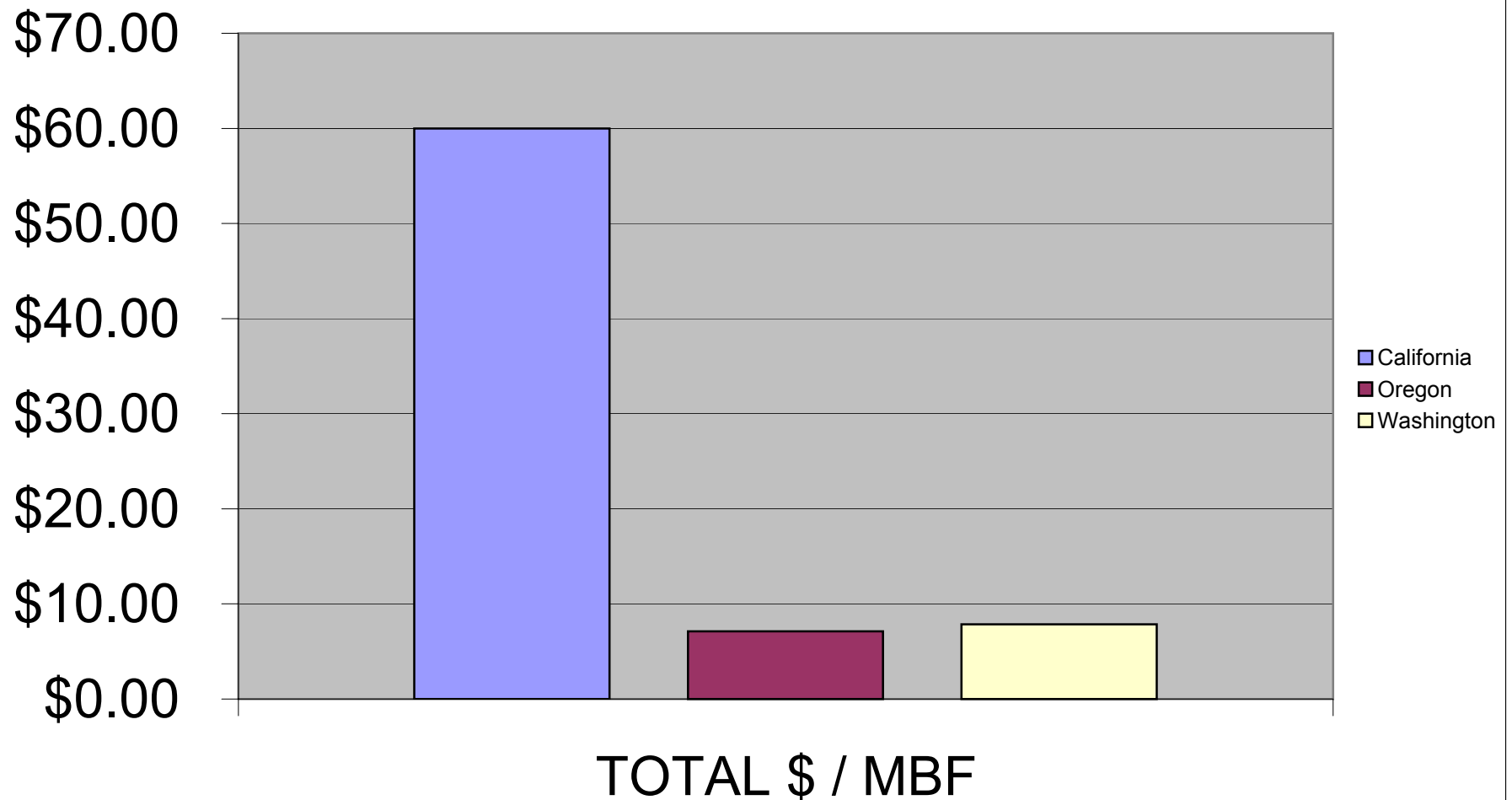
## Pre-2004 versus Proposed 2004



# FIVE YEAR TIMBER HARVEST TRENDS 1997-2001



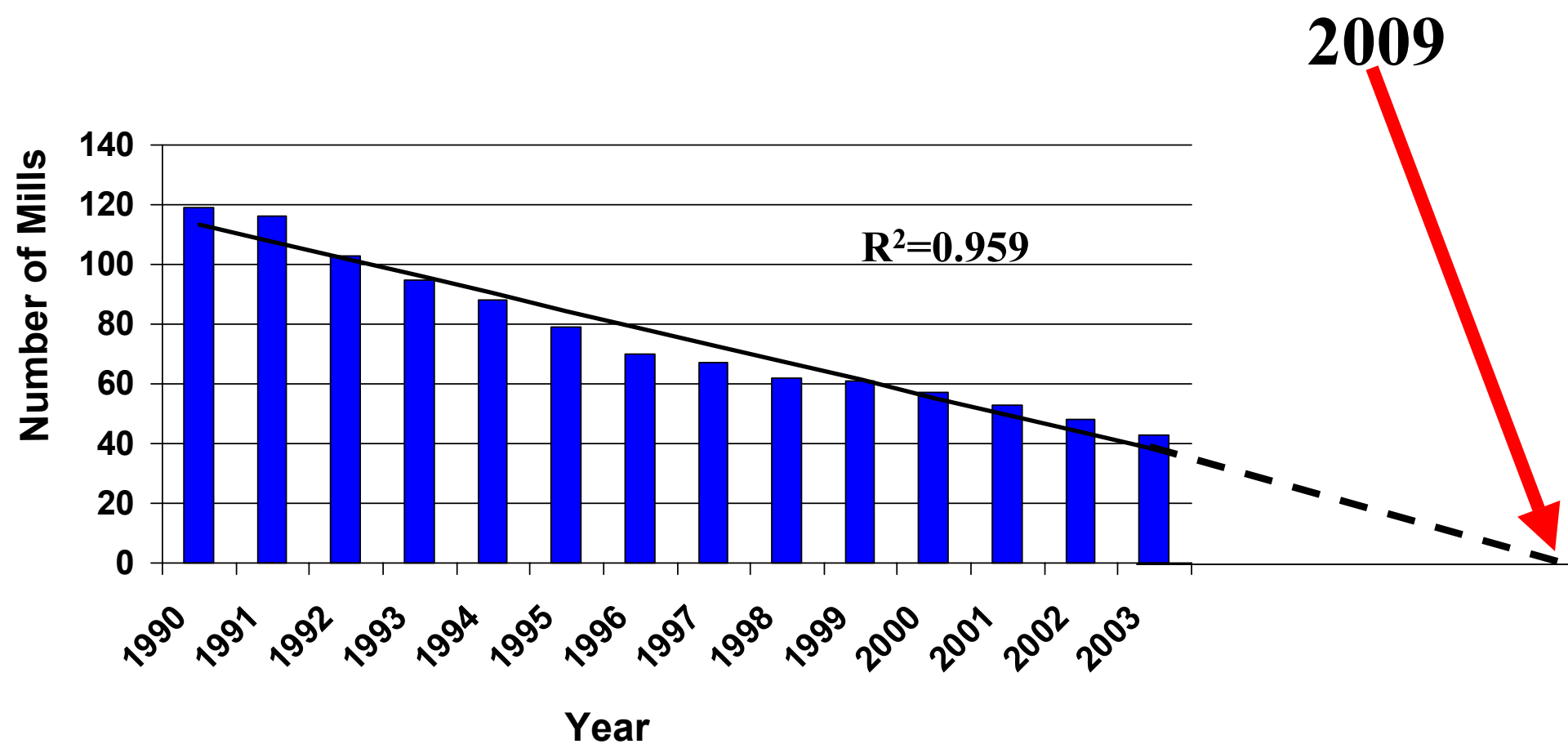
# Landowner THP Cost Comparison (Preparation, Administration and Mitigation)





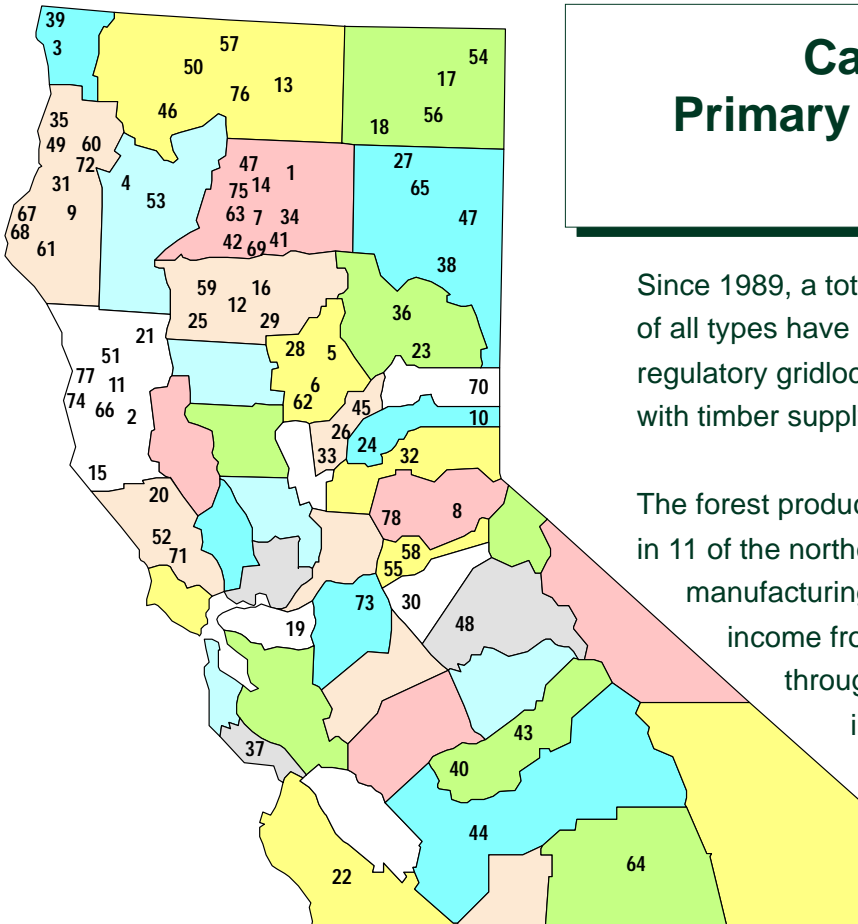
# Reduction of Sawmills in California

## 1990- 2003 CFA Mill Census Data



# California Forest Industry Primary Manufacturer Closures

1989 - 2004



Since 1989, a total of 79 wood products mills and factories of all types have closed in California, largely due to regulatory gridlock and bureaucratic redtape associated with timber supply.

The forest products industry accounts for one in 10 jobs in 11 of the northern counties and more than half the manufacturing employment in many counties. Loss of income from forestry jobs has a multiplier effect throughout local economies with severe impacts on schools, infrastructure and small retail businesses.

|             |  |   |             |  |
|-------------|--|---|-------------|--|
| <b>1989</b> | 1. Lance Lumber Products (Redding)                       | 30. Snider Lumber/Fibreboard Corp. [ <i>plywood</i> ] (Wallace) | <b>1998</b> | 56. Pit River Wood Products [ <i>veneer</i> ] (Canby)    |
|             | 2. Louisiana-Pacific Corp. (Potter Valley)               |   | <b>1999</b> | 57. Hi Ridge Lumber Co. (Yreka)                          |
|             | 3. Simpson Timber (Klamath)                              |   |             | 58. P&M Cedar Products (Pioneer)                         |
|             | 4. Stone Forest Ind. (Burnt Ranch)                       |   |             | 59. Red Bluff Products [ <i>veneer</i> ] (Red Bluff)     |
| <b>1990</b> | 5. Bald Knob Land & Timber (Oroville)                    | <b>1993</b>   |             | 60. Simpson Timber (Big Lagoon)                          |
|             | 6. Cal Oak Lumber Co. (Oroville)                         | 31. Carlotta Lumber Co. (Carlotta)                              | <b>2000</b> | 61. Eel River Sawmills (Redcrest)                        |
|             | 7. Clear Creek Forest Products (Anderson)                | 32. Georgia-Pacific Ind. (Foresthill)                           |             | 62. Louisiana Pacific [ <i>board</i> ] (Oroville)        |
|             | 8. Cornett Lumber Co. (Placerville)                      | 33. Marysville Forest Products (Marysville)                     |             | 63. Pry-Core, Inc. [ <i>veneer</i> ] (Anderson)          |
|             | 9. Eel River Redwood (Alton)                             | 34. Roseburg Forest Products [mill #4] (Anderson)               |             | 64. Sierra Forest Products (Dinuba)                      |
|             | 10. Fibreboard [ <i>plywood</i> ] (Truckee)              | 35. Simpson Timber Co. [ <i>pulp</i> ] (Fairhaven)              | <b>2001</b> | 65. Big Valley Lumber Co. (Bieber)                       |
|             | 11. Harwood Lumber Co. (Willits)                         | 36. Siskiyou Plumas (Quincy)                                    |             | 66. Intl Paper/Masonite [ <i>board</i> ] (Ukiah)         |
|             | 12. Louisiana-Pacific Corp. (Red Bluff)                  | 37. Standard Lumber Mills (Scott Valley)                        |             | 67. Pacific Lumber Co. [mill A] (Scotia)                 |
|             | 13. P&M Cedar (Mt. Shasta)                               | 38. Susanville Forest Products (Susanville)                     |             | 68. Pacific Lumber Co. [mill B] (Scotia)                 |
|             | 14. Redding Power (Redding)                              | <b>1994</b>   |             | 69. Shasta Paper Co. [ <i>pulp</i> ] (Anderson)          |
|             | 15. Redwood Empire (Philo)                               | 39. Miller Redwood/Stimson Lumber (Crescent City)               |             | 70. Sierra Pacific Ind. (Loyalton)                       |
|             | 16. Roseburg Forest Products (Red Bluff)                 | 40. Norby Lumber Co. (Madera)                                   | <b>2002</b> | 71. Annapolis Milling (Annapolis)                        |
|             | 17. WTD/Alturas Lumber (Alturas)                         | 41. P&M Cedar Products (Anderson)                               |             | 72. Blue Lake Lumber (Blue Lake)                         |
| <b>1991</b> | 18. Edgerton Lumber Co. (Adin)                           | 42. Roseburg Forest Products (Anderson)                         |             | 73. Cal Cedar Products [ <i>pencil slat</i> ] (Stockton) |
|             | 19. Gaylord Container [ <i>pulp</i> ] (Antioch)          | 43. Sequoia Forest Ind. (North Fork)                            |             | 74. Georgia-Pacific (Ft. Bragg)                          |
|             | 20. Louisiana-Pacific Corp. (Cloverdale)                 | 44. Sequoia Forest Ind. (Auberry)                               |             | 75. Wisconsin-Calif. (Anderson)                          |
|             | 21. Louisiana-Pacific Corp. (Covelo)                     | 45. Sierra Mountain Mills (Camptonville)                        | <b>2003</b> | 76. Cal Cedar Products (McCloud)                         |
|             | 22. Redwood Empire/Soledad (Soledad)                     | 46. Stone Forest Ind. (Happy Camp)                              |             | 77. Mendocino Redwood (Ft. Bragg)                        |
|             | 23. SPI/Sloat Div. (Cromberg)                            | <b>1995</b>   |             | 78. Wetsel-Oviatt (ElDorado)                             |
|             | 24. SPI/Bohemia (Grass Valley)                           | 47. Butler Forest Products (Anderson)                           | <b>2004</b> | 79. Sierra Pacific Ind. (Susanville)                     |
| <b>1992</b> | 25. Crane Mills (Paskenta)                               | 48. Fibreboard Corp. [ <i>plywood</i> ] (Standard)              |             |  |
|             | 26. Feather River Forest Products (Marysville)           | 49. Louisiana Pacific (Samoa)                                   |             |  |
|             | 27. Lassen Forest Products (Neubieber)                   | <b>1996</b>   |             |  |
|             | 28. Louisiana-Pacific (Oroville)                         | 50. Butler Forest Products (Fort Jones)                         |             |  |
|             | 29. Roseburg Forest Prod. [ <i>plywood</i> ] (Red Bluff) | 51. Louisiana-Pacific Corp. (Willits)                           |             |  |
|             |  | 52. Preston Lumber Co. (Cloverdale)                             |             |  |
|             |  | 53. Sierra Pacific Industries (Hayfork)                         |             |  |
|             |  | 54. Surprise Valley Lumber (Cedarville)                         |             |  |
|             |  | <b>1997</b>   |             |  |
|             |  | 55. Georgia-Pacific (Martell)                                   |             |  |